

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 AID-05 PC-01 CIAE-00 DODE-00
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01
SP-02 SS-15 USIA-06 HA-05 IO-13 EB-08 TRSE-00
OMB-01 /104 W
-----067137 110654Z /10

R 100614Z MAR 78
FM AMEMBASSY KIGALI
TO SECSTATE WASHDC 5875
INFO AMEMBASSY BRUSSELS
AMEMBASSY BONN
AMEMBASSY BUJUMBURA
AMEMBASSY DAR ES SALAAM
AMEMBASSY NAIROBI
AMEMBASSY PARIS
AMEMBASSY KINSHASA

C O N F I D E N T I A L SECTION 1 OF 2 KIGALI 377

PASS ALSO AID/USIA/PEACE CORPS

NAIROBI ALSO FOR REDSO/EA

E.O. 11652: GDS
TAGS: ETRN, PDEV, RW, UG
SUBJECT: TRENDS IN RWANDA: FEBRUARY 1978: GOVERNMENT STRUGGLES AGAINST
TRANSPORT AND SUPPLY PROBLEMS, BUT ECONOMIC PROSPECTS
DISCOURAGING

REF: KIGALI 328 (NOTAL; KIGALI 209 (NOTAL); 77 KIGALI 1396 (NOTAL)

1. SUMMARY. HIGHLIGHT OF FEBRUARY WAS SUDDENT TRIP BY
PRESIDENT HABYARIMANA TO UGANDA AT MONTH'S END. THOUGH
BILLED AS FRIENDLY TRIP TO NEIGHBORING COUNTRY, MAIN
REASON WAS URGENT CONCERN ABOUT TRANSPORTATION SITUATION
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FOR GOODS TRANSITING UGANDA BOUND FOR RWANDA. TRIP RESULTS
WERE LESS THAN SATISFACTORY, AND RWANDANS THUS RETICENT
ABOUT PUBLICIZING DETAILS. WORST EFFECT OF TRANSPORTATION
PROBLEMS WITH UGANDA -- HIGHER PRICES FOR IMPORTS, REDUCED
SUPPLIES, INCREASED ISOLATION OF COUNTRY -- ARE
SYMPTOMS OF FEARSOME PROBLEMS AHEAD FOR RWANDA IN SEEKING
GREATER ECONOMIC SELF-SUFFICIENCY AND DIGNITY. ONLY

IMPORTANT BRIGHT SPOT IS WILLINGNESS OF AID DONORS TO SUPPORT PROJECTS AND PROVIDE TECHNICAL ASSISTANCE, BUT THAT IS NOT, OF COURSE, THE DESIRED SOLUTION FOR RWANDA'S LONG TERM. END SUMMARY.

2. HABYARIMANA'S TRIP TO UGANDA: ROAD TRANSPORT PROBLEMS. PRESIDENT HABYARIMANA VISITED UGANDA FROM FEBRUARY 28-MARCH 3, AFTER ONLY TWO DAYS NOTICE TO RWANDAN PUBLIC. MUCH OF FOUR-DAY VISIT WAS TAKEN UP WITH "TOURISM" LAID ON BY IDI AMIN: VISITS TO KABAREGA PARK, ARUA SATELLITE TELECOMMUNICATIONS STATION, AND PILOT TRAINING CENTER IN EAST-CENTRAL UGANDA. BUT, ALTHOUGH NEVER PUBLICLY CONFIRMED, REAL REASON FOR VISIT WAS RWANDAN FRUSTRATION -- NEARING DESPAIR -- OVER PROBLEMS MOVING GOODS VIA UGANDA BETWEEN RWANDA AND KENYA'S INDIAN OCEAN PORT OF MOMBASA, ROUTE USED FOR SOME 85 PERCENT OF RWANDA'S TRADE. ACCOMPANIED BY MINISTERS OF FINANCE AND FOREIGN AFFAIRS PLUS EXPERTS, HABYARIMANA SPENT RELATIVELY LITTLE TIME HIMSELF WITH UGANDAN COUNTERPART AMIN, WHILE BILATERAL WORKING GROUPS DISCUSSED ISSUES OF COMMUNICATION, TRANSPORT, TRADE, TOURISM, AND SECURITY.

JOINT COMMUNIQUE (REPORTED SEPARATELY) AT END OF VISIT EMPHASIZED FRIENDLY RELATIONS BETWEEN TWO NEIGHBORS AND AGREEMENT ON VARIETY OF INTERNATIONAL ISSUES. COMMERCIAL AGREEMENT WAS ALSO SIGNED DURING VISIT, BUT NOT MADE PUBLIC; APPARENTLY IT DOES NOT DEAL WITH ISSUES OF REAL IMPORTANCE. FINALLY, HABYARIMANA INVITED AMIN TO VISIT RWANDA AT A CONVENIENT CONFIDENTIAL

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DATE. ACCORDING TO COMMUNIQUE, INVITATION WAS ACCEPTED WITH JOY BY UGANDAN PRESIDENT.

TRANSPORT ISSUE DISRUPTING FLOW OF RWANDAN TRADE GOES BACK TO IMPOSITION BY UGANDA LAST OCTOBER OF 35-TON LIMIT ON ALL COMMERCIAL VEHICLES USING UGANDAN ROADS (SEE 77 KIGALI 1329). THIS RESTRICTION, JUSTIFIED ON TECHNICAL GROUNDS, SEVERELY REDUCED NUMBER OF TRUCKS ABLE TO RUN PROFITABLY BETWEEN MOMBASA AND KIGALI. MANY STILL RUNNING CARRY REDUCED LOADS, PERFORCE AT HIGHER RATES PER TON. SHORTAGES OF GASOLINE, CEMENT AND OTHER BASIC COMMODITIES HAVE INCREASED SINCE THEN, AND PRICES HAVE CLIMBED SUBSTANTIALLY. NO ALTERNATIVE ROUTE IS AVAILABLE (EXUXOGIA AIR FOR HIGH VALUE CARGO -- AND MUCH TIN AND TUNGSTEN ORE, COFFEE, AND PYRETHRUM IS SHIPPED OUT THAT WAY: RECENTLY SOME INWARD SHIPMENTS OF BULK COMMODITIES LIKE CEMENT HAVE BEEN ARRANGED, IN DESPERATION, BY AIR).

SUDDEN DECISION BY HABYARIMANA TO GO TO AMIN HIMSELF APPARENTLY WAS MADE AFTER RWANDAN TRUCK CARRYING APPLIANCES AND OTHER VALUABLE ITEMS WAS HIJACKED IN UGANDA, POSSIBLY BY UGANDAN SOLDIERS, AND DRIVER DISAPPEARED, POSSIBLY KILLED. HABYARIMANA SOUGHT SOME RELIEF FROM 35-TON LIMIT AND ASSURANCE OF SAFE

PASSAGE FOR RWANDA-BOUND CARGOES. BUT WITH LITTLE LEVERAGE ON
UGANDA TO INDUCE COOPERATION OTHER THAN ON NEIGHBORLY BASIS,
HE RETURNED EMPHTYHANDED EXCEPT FOR ESTABLISHMENT OF BILATERAL
COMMISSION TO STUDY SUBJECT IN DEPTH, AN EMPTY GESTURE.

RWANDANS, NORMALLY INCLINED TO RETICENCE ANYWAY, ARE MOST
RELUCTANT TO DISCUSS DETAILS OF DISCUSSIONS WITH UGANDANS.
WHAT APPEARS TO HAVE OCCURRED, HOWEVER, IS THAT UGANDANS DEMANDED
THAT RWANDA TAKE STEPS TO REDUCE ILLEGAL FLOW OF UGANDA-GROWN
COFFEE TO RWANDA, WHERE PRICES PAID PRODUCERS ARE HIGHER.
(IN LAST COUPLE OF YEARS RWANDA HAS EXPORTED SOME 80 PERCENT
MORE COFFEE THAN IT HAS GROWN, MOST OF THE SURPLUS COMING FROM
UGANDA.) THE RWANDANS HAVE HINTED TO US THAT THEY DID NOT CONCEDE THI
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WAS LEGITIMATE ISSUE, ARGUING THAT WHATEVER TRANSACTIONS OCCURRED,
IT MUST BE ASSUMED THAT EQUAL VALUE WAS OBTAINED BY BOTH SIDES. IT

IS A DEFENSIBLE POSITION, BUT IT SEEMS TO HAVE LED TO
STALEMATE IN BILATERAL TALKS. BOTH LEADERS KNOW ENOUGH ABOUT
PUBLIC DIPLOMACY TO EMPHASIZE AREAS OF AGREEMENT, SO JOINT
COMMUNIQUE DWELT ON ATMOSPHERICS AND DECLARATIONS OF PRINCIPLE
ON ISSUES REMOTE FROM RWANDAN AND UGANDA VITAL INTERESTS.

3. 3. IMPACT OF UGANDAN TRANSPORT LIMITATION.

UGANDAN 35-TON LIMIT HAS HIT SUPPLY AND PRICES OF BULK IMPORT
LIKE PETROLEUM AND CEMENT MOST SEVERELY. FOR EXAMPLE, TANK
TRUCKS FORMERLY CARRYING 33,000 LITER PAYLOAD OF FUEL NOW
LIMITED TO 22,000 LITERS. TRUCKERS HAVE HAD TO RAISE PRICES
PER TON BY NOT LESS THAN 25 PERCENT. RESULT IS CHRONIC FUEL
SHORTAGES, AND PANIC BUYING AND HOARDING WHEN SUPPLIES AVAILABLE,
PLUS PRICE RISE OF 11 PERCENT, WITH MORE EXPECTED. CEMENT
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PRICES SIMILARLY HAVE CLIMBED 25 PERCENT, WITH SUPPLIES ALSO
SEVERELY CURTAILED (A BAG OF KENYAN CEMENT WORTH \$3.75 IN
NAIROBI NOW COSTS OVER \$16 IN KIGALI). DOMESTICALLY PRODUCED
COMMODITIES SUCH AS STAPLE FOODS HAVE NOT BEEN SO HARD HIT,
BUT THERE HAS BEEN SOME TENDENCY FOR TRADERS TO HIKE PRICES
IN THE WAKE OF OTHER INCREASES--LESS BECAUSE OF PRODUCTION
COST INCREASES THAN TO MAINTAIN THEIR OWN BUYING POWER. GOR
SETS OFFICIAL FOOD PRICES, BUT THEY ARE ALMOST UNIVERSALLY
IGNORED, AND MARKET FORCES HAVE VIRTUALLY FREE PLAY. IF BAD
WEATHER SHOULD REDUCE FOOD PRODUCTION, EFFECTS WOULD BE SWIFT AND
PAINFUL.

EXCEPT FOR TRANSPORT PROBLEMS, RWANDAN GOVERNMENT POLICIES
AND GOOD LUCK HAVE KEPT PRICES OF GENERAL CONSUMER GOODS RELATIVELY
STABLE IN RECENT YEARS. GOVERNMENT SALARIES ARE UNCHANGED
SINCE 1975. WITH RECENT INFLATIONARY LEAP, GOR FACED
WITH INTENSIFIED PRESSURE FOR SALARY REVISIONS. ECONOMIC EFFECT
OF HIKES WOULD BE INFLATIONARY, AND WOULD WIDEN DISPARITY
BETWEEN INCOMES OF URBAN WORKERS AND RURAL MASSES. WITHOUT
PROMISING ANYTHING, GOR HAS SET UP COMMISSION TO EXAMINE THE
MATTER. (ONE PALIATIVE: GOR RECENTLY DOUBLED AMOUNT OF
ANNUAL PAID VACATION ALLOWED WORKERS.) FROM OUR VANTAGE POINT
IT IS DIFFICULT TO SEE POLITICALLY ACCEPTABLE ALTERNATIVE TO
SOME INCREASE IN WAGE SCALE TO REDUCE PRESSURES FOR AWHILE,
EVEN IF THAT WOULD BE FUTILE MEASURE IN ECONOMIC TERMS.

4. PROSPECTS FOR THE RWANDAN ECONOMY: WORSE TROUBLE AHEAD, AND GREATER DEPENDENCE ON FOREIGN AID.

AS THINGS SHPE UP, IT LOOKS LIKE COMING YEARS PROMISE
LITTLE BUT TROUBLE AND GREATER ECONOMIC DEPENDENCE ON
FOREIGN AID, AFTER A FEW YEARS BENEFITING FROM HIGH EXPORT
RECEIPTS FROM COFFEE SALES -- AND GROWING ATTENTION FROM AID

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DONORS. THE FOLLOWING POTENTIAL REMEDIAL STEPS ALL HAVE MAJOR DRAWBACKS:

A. ALTERNATE TRADE ROUTES. RWANDA IS IN PERHAPS THE UNIQUE POSITION OF HAVING TWO COUNTRIES LIE BETWEEN IT AND THE SEA ALONG THE DOMINANT TRADE ROUTE. WHEN KENYA AND UGANDA QUARREL, AS IS LATELY THE CASE, RWANDA IS THE BYSTANDER WHO SUFFERS WORSE THAN THE PRINCIPALS. IT IS THUS NOT SURPRISING THAT RWANDA COCKS AN EYE ON PROSPECTS FOR DEVELOPING A VIABLE ALTERNATIVE ROUTE THROUGH TANZANIA. NO IMPROVEMENT IN THAT DIRECTION IS EXPECTED FOR SEVERAL MORE YEARS, HOWEVER, AND NO OTHER RELIEF IS ON THE HORIZON AT ALL TO IMPROVE TRANSIT ARRANGEMENTS (UNLESS UGANDA SHOULD HAVE A CHANGE OF GOVERNMENT, A POSSIBILITY NEVER OPENLY DISCUSSED HERE).

B. INCREASING TRADE REVENUES TO PAY FOR INCREASES COSTS. THIS IDEA A NON-STARTER. COFFEE PRODUCTION POTENTIAL IS EXPECTED TO REMAIN STABLE, WITH BOTH ACEREAGE AND YIELD AT A PLATEAU, WHILE PRICES HAVE BEGUN WHAT IS EXPECTED TO BE A LONG-TERM DECLINE. THAT TOUCHES SOME TWO-THIRDS OF RWANDA'S EXPORT EARNINGS. BETTER PROSPECTS FOR RWANDA'S OTHER EXPORT COMMODITIES -- TEA, TIN ORE, TUNGSTEN ORE, PYRETHRUM -- CAN MAKE UP ONLY A LITTLE OF THAT LOSS.

C. INCREASING AID RESOURCE TRANSFERS. BECAUSE OF ITS STATUS AMONG THE WORLD'S POOREST COUNTRIES, TOGETHER WITH THE GOOD REPUTATION OF THE HABYARIMANA GOVERNMENT, RWANDA IS RECEIVING ABOUT AS MUCH DEVELOPMENT ASSISTANCE AS CAN BE EFFECTIVELY ADMINISTERED. EXTERNAL DEBT IS NOT A PROBLEM. WELL-DEFINED PROJECTS WITH SOME EMBLANCE OF ECONOMIC JUSTIFICATION -- INCLUDING FOR EXAMPLE CONSTRUCTION OF A TIN SMELTING PLANT, JUST BEGUN -- INVARIABLY FIND FINANCING, USUALLY ON A GRANT BASIS. (THE SMELTING PLANT IS AN EXCEPTION, FINANCED ON THE BASIS OF CONCESSIONAL LOANS -- SEE KIGALI A-08 OF MARCH 3, 1978). GREATER DEPENDENCE ON FOREIGN AID CANNOT OVERCOME THE GEOGRAPHIC REMOTENESS AND

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ISOLATION OF RWANDA. PROSPECTS IN ANY CASE ARE FOR NO MORE THAN A GRADUAL INCREASE IN THE ALREADY SUBSTANTIAL AID LEVELS RWANDA NOW RECEIVES.

D. INTENSIFIED REGIONAL COOPERATION. THIS COURSE IS DESIRED BY GOR, BUT SHORT-AND MEDIUM-TERM PROSPECTS ARE FOR ONLY

MODEST IMPROVEMENTS. RWANDANS ARE PARTICULARLY HIGH ON ECONOMIC COMMUNITY OF GREAT LAKES COUNTRIES (CEPGL), POTENTIALLY IMPORTANT ORGANISM FOR COORDINATING DEVELOPMENT PROJECTS AND INVESTMENTS. BUT THE CEPGL REGION -- RWANDA, BURUNDI AND KIVU REGION OF ZAIRE -- IS LANDLOCKED ITSELF AND REMOTE FROM MAJOR SUPPLIERS AND MARKETS. IT OFFERS NO FRESH HOPE FOR TRANSPORT RELIEF.

5. CONCLUSION. THERE MUST BE SOME WAY FOR PEOPLE AND GOVERNMENT AS DESERVING AS RWANDA'S TO HOLD ON TO SMALL ECONOMIC GAINS OF PAST FEW YEARS, BUT AT THIS MOMENT RWANDAN POLICYMAKERS SEEM UNABLE TO TAKE INITIATIVE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, ECONOMIC TRENDS, HIGHWAY TRANSPORTATION
Control Number: n/a
Copy: SINGLE
Draft Date: 10 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KIGALI00377
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780109-0399
Format: TEL
From: KIGALI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780383/aaaacsml.tel
Line Count: 291
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9bacacc9-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 KIGALI 328, 78 KIGALI 209, 77 KIGALI 1396
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3375874
Secure: OPEN
Status: NATIVE
Subject: TRENDS IN RWANDA: FEBRUARY 1978: GOVERNMENT STRUGGLES AGAINST TRANSPORT AND SUPPLY PROBLEMS, BUT ECONOMIC PROSPECTS
TAGS: ETRN, PDEV, RW, UG
To: STATE
Type: TE
vdkgvwkey: odbcs://SAS/SAS.dbo.SAS_Docs/9bacacc9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014